

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-10 IO-13 ISO-00
L-03 AGR-01 FRB-03 OMB-01 ITC-01 SP-02 ICA-11
AID-05 CIAE-00 COME-00 INR-10 LAB-04 NSAE-00
OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15 /131 W
-----123890 190921Z /20

R 190848Z JUN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 7266
INFO AMEMBASSY ACCRA
AMEMBASSY ABIDJAN
AMEMBASSY STOCKHOLM
AMEMBASSY COPENHAGEN
AMEMBASSY OSLO
AMEMBASSY QUITO
AMEMBASSY MEXICO
AMEMBASSY VIENNA
AMEMBASSY THE HAGUE
AMEMBASSY BONN
AMEMBASSY BERN
AMEMBASSY BRASILIA
AMEMBASSY BRUSSELS
AMEMBASSY LAGOS
AMEMBASSY OTTAWA
AMEMBASSY PORT OF SPAIN
AMEMBASSY PARIS
AMEMBASSY MOSCOW
AMEMBASSY TOKYO
AMEMBASSY LOME
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E.O. 11652: N/A
TAGS: ETRD, ICCO, EPAP
SUBJECT: COCOA - AD HOC COMMITTEE ON INTERNATIONAL COCOA
.
AGREEMENT, INTERNATIONAL COCOA ORGANIZATION, LONDON,
JUNE 12-16, 1978

1. SUMMARY: AD HOC COMMITTEE MET TO CONSIDER PROPOSALS ON POSSIBLE RENEGOTIATION OF INTERNATIONAL COCOA AGREEMENT; COMMITTEE'S REPORT WILL BE SUBMITTED TO JULY 24-28 MEETING OF INTERNATIONAL COCOA COUNCIL WHICH WILL MAKE FINAL DECISION ON RENEGOTIATION. TWO PROPOSALS WERE CONSIDERED: (A) THOSE OF THE US, CALLING FOR REPLACEMENT OF CURRENT AGREEMENT WITH PURE BUFFER STOCK ARRANGEMENT; AND (B) THAT OF PRODUCERS, WHICH CALLED FOR UPWARD REVISION OF PRICE PROVISIONS OF CURRENT AGREEMENT TO "REFLECT CURRENT MARKET TRENDS". PRODUCER'S DOCUMENT INDICATED CONSIDERABLE FLEXIBILITY ON BUFFER STOCK VS. EXPORT QUOTA QUESTION, REFLECTING GENERAL CONSENSUS THAT NEW AGREEMENT'S PRICE STABILIZATION MECHANISM SHOULD BE SIMPLER THAN CURRENT AGREEMENT. WHILE CERTAIN CONSUMERS (MOST NOTABLY USSR) INDICATED UNWILLINGNESS TO CONSIDER ANYTHING ELSE BUT SIMPLE EXTENSION OF CURRENT AGREEMENT, INSISTENCE OF PRODUCERS FOR RENEGOTIATIONS VIRTUALLY ENSURES JULY COUNCIL DECISION TO RENEGOTIATE COCOA AGREEMENT IN FEBRUARY 1979. END SUMMARY.

2. ONLY TWO PROPOSALS SUBMITTED TO THE AD HOC COMMITTEE WERE THOSE OF US AND THE PRODUCER'S GROUP. U.S. DELEGATE (O'DONNELL) STATED THAT US WAS NOT SEEKING TO PROVOKE RENEGOTIATIONS NOR TO AVOID THEM BUT THAT USG WANTED ICCO MEMBERS TO HAVE AN OPPORTUNITY TO HEAR OUR VIEWS LIMITED OFFICIAL USE

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CONCERNING A POSSIBLE NEW COCOA AGREEMENT. U.S. DELEGATION STRESSED ITS CONCERN WITH DECLINING US CONSUMPTION AND EMPHASIZED THAT WE CONTINUE TO VIEW PURE BUFFER STOCK AS THE BEST WAY TO STABILIZE THE WORLD COCOA MARKET. US PROPOSALS AND ENSUING ANALYSIS ELICITED FAVORABLE RESPONSE FROM MAJOR EC CONSUMERS (FRG, FRANCE AND UK). NORDICS (SWEDEN AND NORWAY) STATED THEY BELIEVE ANY BUFFER STOCK ARRANGEMENT MUST BE ACCOMPANIED BY STANDBY EXPORT QUOTAS TO BE FULLY EFFECTIVE. PRODUCERS EXPRESSED INTEREST IN US IDEAS BUT STOPPED WELL SHORT OF ACCEPTANCE.

3. THE PRODUCERS' PAPER CALLED FOR RENEGOTIATION OF THE 1975 AGREEMENT. ACCORDING TO PRODUCER SPOKESMEN (KOUAKOU

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OIC-02 SIL-01 STR-07 TRSE-00 CEA-01 SS-15 /131 W

-----123888 190923Z /20

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FM AMEMBASSY LONDON

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INFO AMEMBASSY ACCRA

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OF IVORY COAST), THE PRINCIPAL PRODUCER CONCERN WAS THAT
THE ECONOMIC MECHANISMS IN THE CURRENT AGREEMENT HAD
NEVER HAD AN OPPORTUNITY TO FUNCTION AND THEREFORE THE
AGREEMENT HAD NOT FULFILLED ITS OBJECTIVES. PRODUCERS

NOW SEEK A GUARANTEED MINIMUM PRICE, VIEWING THE CURRENT PRICE RANGE AS TOO LOW. PRODUCER PROPOSALS CALL FOR AN ANNUAL PRICE REVIEW TO BE BASED ON SPECIFIC CRITERIA (IE TREND OF COCOA PRICES, CONSUMPTION, PRODUCTION AND "IMPACT OF CHANGES IN WORLD ECONOMIC AND MONETARY SYSTEM"). THE PRODUCER PAPER DID NOT TAKE ANY SPECIFIC POSITION AS TO THE STABILIZATION MECHANISM TO BE USED IN ANY NEW AGREEMENT AND PRODUCER SPOKESMEN INDICATED THEY HAD AN OPEN MIND ON THE MATTER.

4. WHILE MOST CONSUMERS ENTERED THE AD HOC MEETING SUPPORTING MERE EXTENSION OF CURRENT AGREEMENT, THE CONTINUED STRONG PRODUCER PUSH FOR RENEGOTIATIONS AND THE TABLING OF THE US PROPOSAL WILL PROBABLY MEAN THAT NEGOTIATIONS ARE INEVITABLE. THE USSR REMAINED MOST EMPHATIC SUPPORTER OF SIMPLE EXTENSION OF CURRENT AGREEMENT. A FORMAL DECISION TO RENEGOTIATE IS EXPECTED TO EMERGE FROM THE JULY COUNCIL MEETING. US IS EXPECTED TO BE INVITED TO MEETING AS AN OBSERVER.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COCOA, AGREEMENT, AGREEMENTS, COMMITTEES, INTERNATIONAL ORGANIZATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 jun 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON09626
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780254-1077
Format: TEL
From: LONDON USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780645/aaaabmne.tel
Line Count: 191
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 6bfa4086-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 03 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2300762
Secure: OPEN
Status: NATIVE
Subject: COCOA - AD HOC COMMITTEE ON INTERNATIONAL COCOA . AGREEMENT, INTERNATIONAL COCOA ORGANIZATION, LONDO
TAGS: ETRD, EPAP, ICO
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/6bfa4086-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014